



STATESIDE NEWS & VIEWS: FROM THE CONFERENCE OF STATE BANK SUPERVISORS

NOVEMBER-DECEMBER 2004

CSBS BOARD ADOPTS STATEMENT OF PRINCIPLES

The Conference of State Bank Supervisors Board of Directors and Bankers Advisory Board convened in early December for their final meetings of 2004. The December meeting is always set aside as a time to reflect on the organization's 102-year history and to look ahead to the future. As with any organization in today's fast-changing times and given the many events affecting the state banking system and banking in general, the board agreed it was a good time to agree upon a set of principles which would guide us in our day-to-day activities.

For your reading pleasure, here's the Conference of State Bank Supervisors' Statement of Principles:

- CSBS's overriding goal is to maintain the state system as the charter of choice for community, multi-state, international and de novo institutions with well-trained bank examiners.
- State-chartered banks, most of which are community banks, drive the economic success of Main Street America.
- Bank supervision is best conducted at the state level, where regulators are accessible and in tune with the local economy.
- Broad federal regulatory preemption of state laws endangers the dual banking system and consumer protection.
- CSBS supports cooperation and coordination in the supervision of banks operating in multiple states. In supervision of interstate banks, the home state is the primary regulator.
- CSBS opposes the imposition of additional taxes or assessments by host states.
- State banking departments must have budget autonomy to fully support excellence in supervision.
- Cooperation between state and federal regulators strengthens bank supervision and safety and soundness.
- CSBS supports the authority of states to empower banks to develop new products and services that serve the best interests of their citizens.

Now-retired CSBS President and CEO Larry Kreider iterated CSBS's two major objectives back in 1978, as follows: (1) to achieve and maintain strong and effective state banking departments nationwide, and (2) to achieve and maintain a banking and bank regulatory structure with adequate state/federal checks and balances so as to minimize government monopoly in bank regulation. Current CSBS President and CEO Neil Milner says these two objectives still hold true today.

As we begin a new year, CSBS's mission is to stay the course in 2005 and beyond. We're committed to these principles and beliefs on behalf of the 6,300+ state chartered banks nationwide that serve as the economic backbone of the country.

CSBS LAUNCHES EXAMINER POOL TO LEVERAGE EXPERTISE

The Conference of State Bank Supervisors has launched a program that brings together a pool of expert examiners who will be available to assist state bank supervisors as they carry out their regulatory responsibilities.

CSBS Chairman John Allison had first announced plans for the project at the organization's 2004 Annual Conference in May. Allison, who serves as Mississippi Commissioner of Banking & Consumer Finance, said the goal of the project is "to leverage the resources and examiner expertise that we have throughout the state banking system."

"We have developed this program as a tool to enhance the resources that state banking departments have to carry out their supervisory roles," he said.

Active and retired examiners from state agencies, the Fed, and the FDIC who specialize in capital markets, information technology, or trust supervision are encouraged to participate in the program. There are currently three sources of examiners for the pool: examiners that currently work in a state banking department, those who have retired from a state banking department, and retired examiners from federal banking agencies. These examiners can be contacted by individual state banking departments that need additional examination assistance and could work for a banking department on a contractual basis, as needed.

"We plan to populate the pool with existing state banking department examiners and recently retired state and federal examiners that will serve as generalists or offer expertise in the trust, IT or capital markets areas," said CSBS Senior Vice President for Regulatory Affairs Montrice Yakimov, who heads up the project team. "We are very excited about this new CSBS resource and hope to expand the program as needed to meet the needs of state banking regulators in a changing environment," Yakimov added.

BSA/AML/USA PATRIOT ACT COMPLIANCE CONFERENCE PLANNED

The Conference of State Bank Supervisors and the Florida International Bankers Association will hold a special anti-money laundering and USA PATRIOT Act compliance conference, Feb. 9-11 in Miami, FL. The meeting will bring domestic and foreign bank organization executives and state and federal regulators together to discuss critical issues for the banking industry.

The program features presentations on:

- The current BSA/AML/USA PATRIOT Act environment
- How the regulators are examining the industry
- Recent enforcement actions and their implications for the financial industry
- Suspicious Activity Reporting for financial institutions
- Money Service Businesses (MSBs) and compliance
- Politically Exposed Persons (PEPs) and foreign public corruption
- Forfeiture update
- What lies ahead from the Congressional perspective

In addition, the program features state and federal updates from top officials supervising banking operations in the U.S. and a "What Keeps Us Awake at Night?" panel discussion.

Registration information is available at <http://www.antimoneylaundering-fiba.com/index.asp>. For more information, contact CSBS's Sebastien Monnet at (800) 886-2727, Ext. 720 or by e-mail at smonnet@csbs.org.

THREE STATES WEIGH IN ON SHOPPING MALL GIFT CARD TERMS

State attorneys general in Massachusetts, Connecticut and New Hampshire filed suit on Nov. 15 against a nationwide shopping center company alleging that its malls are selling "gift cards" in violation of the states' consumer protection laws. Massachusetts Attorney General Tom Reilly alleges that the national mall chain is selling "gift cards" that violate the state's consumer protection law and the Massachusetts Gift Certificate law, which requires that gift cards be redeemable at full face value for seven years. According to New Hampshire Attorney General Kelly A. Ayotte, N.H. law states that gift certificates may not expire, and that such service charges, dormancy fees, or other administrative charges that reduce the value of the gift certificate are forbidden. Connecticut Attorney General

Richard Blumenthal claims that the shopping mall illegally imposed expiration dates on gift cards and charged fees on unused balances.

The American Banker reported Nov. 17 that Simon Property Group Inc., which operates 159 shopping malls throughout the country, has filed lawsuits in federal courts so the malls can continue to issue the cards, claiming that state laws do not apply because the cards are issued by a national bank, and state laws are preempted. The Office of the Comptroller of the Currency reportedly does not plan to intervene in the matter, which deals with whether the cards are bank-issued stored value cards or are the equivalent to shopping center-issued gift certificates. The cards do bear the Visa logo, which may only be issued by bank members of the Visa network.

For more information, see the state attorneys general press releases, go to <http://www.ago.state.ma.us/sp.cfm?pageid=986&id=1332> (Massachusetts); <http://doj.nh.gov/publications/nreleases/111504simon.html> (New Hampshire); <http://www.cslib.org/attygenl/mainlinks/linkindex14.htm> (Connecticut).

Conference of State Bank Supervisors President and CEO Neil Milner commented that these cases will be interesting to watch from both a consumer and industry standpoint. "The courts will have the responsibility of deciding whether stored-value cards are bank transactions or whether they fall under consumer laws covering gift certificates. Given the growing popularity of gift cards, we expect their legal status will be a major story in the coming months," he said.

CSBS ANNUAL CONFERENCE 2005 HEADS FOR SAN ANTONIO

In 2005, CSBS will hold its 104th Annual Meeting & Conference at the Westin Riverwalk, San Antonio TX, June 1-3. Mark your calendar now, hold the date, and remember the Alamo. For registration information, visit the CSBS Web site at <http://www.csbs.org/events/amc/2005/amc2005.htm>

CSBS: CHAMPION OF THE STATE BANKING SYSTEM SINCE 1902

Have you visited our Web site today? <http://www.csbs.org>